

Message Text

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 2361

C O N F I D E N T I A L SANTIAGO 1306

EXDIS

EO 11652: GDS

TAGS: EFIN, CI

SUBJECT: CHILE DEBT

REF: STATE 45204, 45175

1. AMBASSADOR AND ECONOMIC COUNSELOR HAD LENGTHY CONVERSATION FEBRUARY WITH WITH A WORRIED RAUL SAEZ, MINISTER OF ECONOMIC COORDINATION, RE SITUATION PRECIPITATED BY FEBRUARY 27 UK ANNOUNCEMENT IT WOULD NOT PARTICIPATE IN FORTHCOMING PARIS CLUB MEETING.

2. SAEZ IS QUITE AWARE THAT UK DECISION MIGHT HAVE POLITICAL LANDSLIDE EFFECT WHICH WOULD LEAD NUMBER OF EUROPEANS AND CANADIANS TO ABSENT THEMSELVES FROM PARIS MEETING. HE WILL DO WHAT HE CAN, BOTH FROM HERE AND LATER DURING EUROPEAN TRIP, TO PERSUADE GERMANS, BRITISH, FRENCH, SPANISH, DUTCH, AND OTHERS TO ATTEND, BUT RECOGNIZES THAT CHILE HAS VERY LITTLE BARGAINING POWER IN THIS REGARD. . ACCORDINGLY, SAEZ IS DEEPLY GRATEFUL TO USG FOR ITS EFFORTS IN TRYING TO KEEP PARIS CLUB ON TRACK.

3. RE SPECIFICS MENTIONED STATE 45204, SAEZ HAD FOLLOWING COMMENTS.

4. HE IS NOT WEDDED TO IDEA OF 100 PERCENT RELIEF, AND HIS PRESENT INTENTION IS NOT TO PURSUE IT. AS TO TACTICS, HE PLANS TO BE IN WASHINGTON WHEN DEPUTY UNDER SECRETARY BOEKER

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RETURNS (ABOUT MARCH 6) AND WILL WANT TO DISCUSS WITH OUR

PEOPLE HOW CHILE MIGHT BEST PROCEED IN PARIS CLUB.

5. SAEZ WILL NOT SEEK TO RESCHEDULE ANY MATURITIES EXCEPT THOSE OCCURRING IN 1975. HE MIGHT ASK FOR APPOINTMENT OF A COMMISSION TO STUDY WAY IN WHICH FUTURE MATURITIES SHOULD BE HANDLED, BUT SEEMS DISINCLINED TO PRESS THIS MATTER IF IT CAUSES DIFFICULTIES.

6. SIMILARLY, IF WE BELIEVE THAT ANY FUTURE ESCALATOR CLAUSE SHOULD BE TIED TO RISE IN TOTAL EXPORTS RATHER THAN TO BALANCE OF PAYMENTS SITUATION, WE HAVE IMPRESSION HE WOULD BE WILLING TO GO ALONG. SINCE PRICE AND VOLUME OF COPPER SHIPMENTS ARE KEY TO EXPORT TRENDS, THIS IN EFFECT AMOUNTS TO A REVERSION TOWARD HIS ORIGINAL IDEA OF LINKING PAYMENTS WITH COPPER RECEIPTS. IN ANY CASE, THIS COULD BE THRASHED OUT AT PARIS CLUB MEETINGS.

7. WE ASKED SAEZ HOW HE WOULD MEET CRITICISM FROM CREDITORS REGARDING PAYMENTS TO PRIVATE US FIRMS RESULTANT FROM SETTLEMENT OF COMPENSATION DISPUTES. HE SAID THAT AT 1972 PARIS CLUB, CHILEAN DELEGATION (UNDER ALLENDE REGIME) HAD PLEDGED ITSELF TO NEGOTIATE A SETTLEMENT IN GOOD FAITH OF CHILEAN OBLIGATIONS ARISING FROM EXPROPRIATION; THIS THOUGHT WAS REITERATED IN 1974 PARIS CLUB MEETING. HE WOULD CITE THESE PRONOUNCEMENTS. SAEZ ALSO TOLD US THAT HE IS SEEKING US PRIVATE BANKING ASSISTANCE (MORGAN, BANK OF AMERICA, CITIBANK) TO OBTAIN COMMERCIAL LOANS WITH FIVE TO EIGHT YEAR MATURITIES TO MEET 1975 PAYMENTS DUE TO US FIRMS INVOLVED. STATES IMF WILL NOT COUNT SUCH LOANS AGAINST LENDING RESTRICTIONS IT IMPOSES SINCE THEY CONSTITUTE REPAYMENT OF LONG-STANDING CHILEAN OBLIGATIONS.
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